



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/28/2002

GAIN Report #FI2003

Finland

Retail Food Sector

Nordic Retailers Rush to Develop Discount Chains 2002

Approved by:

Lana Bennett

U.S. Embassy, Stockholm

Prepared by:

Bettina Dahlbacka

Report Highlights:

Nordic retailer domination in their own markets is now being threatened by an outsider German hard discount chain. Anticipation of this challenge has prompted a rush by major Nordic retailers to open their own discount stores.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Stockholm [SW1], FI

Nordic retailer domination in their own markets is now being threatened by an outsider German hard discount chain. Anticipation of this challenge has prompted a rush by major Nordic retailers to open their own hard discount stores.

The German Lidl chain has quietly started its move into the Nordic countries and is breaking the Swedish oligopoly. It's hard discount concept is to offer the lowest prices through a limited assortment, private labels and volume sales.

Lidl has reportedly sought construction planning permissions for many different locations throughout Sweden and Finland. Distribution terminals are already under construction both in Sweden and Finland. Lidl has been very secretive about its plans for the Nordic market. Competitors are being kept guessing. Reportedly, Lidl intends to open about 60 stores in Sweden, 20-30 in Finland, and is also looking at the Norwegian and Danish markets.

Discount food stores and supermarkets are the fastest growing businesses in the Swedish food retail industry. Their share of the estimated SEK 160 billion market at retail level is still modest at around 15%, but the sector has grown 200% over the past ten years. In Finland, the discount sector has not developed as extensively (10.8%), while Norway's discount sector has over 40% of the food retail market. Growth figures are showing no signs of leveling off and this, of course, has stirred interest among foreign players to enter the currently domestically dominated Nordic food retail market. In Sweden, for example, about 90 percent of the food retail market is controlled by three groups, Axfood, the consumer cooperative, Coop, and the market leader ICA.

The discount stores in Sweden, Finland and Norway do not have such pronounced hard discount profiles as do the Lidl stores. But the Nordic retailers have been gearing up for Lidl's anticipated entry.

Sweden's major retailer, ICA Ahold, and leading Danish retailer, Dansk Supermarked, recently combined forces in a 50/50 joint venture. The new company will operate Netto discount stores in Sweden and Norway. Presently, Netto stores are located in Denmark, Germany, England and Poland. The stores have, like the Lidl stores, a strong discount profile. Reportedly, the first Swedish Netto store is to be opened in May 2002.

Axfood, the main player in the discount sector in Sweden, has started up "Willys Hemma" stores, a Swedish version of Lidl's outlets. The first pilot "Willys Hemma" store was opened in February 2002 and about 35 stores are planned to be opened by June of this year.

The only major player in Sweden that has chosen to stay out of the discount race so far is the consumer cooperative group, Coop. Coop has about 30% of the Swedish food market.

In Finland, the S-Group, which has about 30% of the Finnish food market, recently launched its hard discount chain, "Senti," with a store concept similar to Lidl's.

It remains to be seen what effects the development of hard discount stores will have on U.S. product export opportunities in this market. Lidl's product assortment will include both domestically sourced and imported food products. For U.S. products which succeed in making it

onto any of the hard discounters' shelves, there is the potential for increased sales volume here.